

WISE TOWNSHIP, ISABELLA COUNTY

CLARE, MICHIGAN

MARCH 31, 2008

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

MARCH 31, 2008

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June 13, 2008

INDEPENDENT AUDITORS' REPORT

To the Township Board
Wise Township
Isabella County
Clare, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wise Township, Isabella County, Clare, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wise Township, Isabella County, Clare, Michigan, as of March 31, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on pages 20-21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wise Township, Isabella County, Clare, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Wise Township, a general law township located in Isabella County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Wise Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2008.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$798,848. Of this amount, \$433,336 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$459,050. A decrease of \$114,180 from the prior year.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2008.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$798,848 at March 31, 2008, meaning the Township’s assets were greater than its liabilities by this amount.

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Wise Township
Net Assets as of March 31, 2008

	Governmental Activities
Assets	
Current Assets	\$ 459,050
Non Current Assets	
Capital Assets	391,141
Less: Accumulated Depreciation	51,343
Total Non Current Assets	339,798
Total Assets	\$ 798,848
Liabilities	
Current Liabilities	\$ 0
Net Assets	
Invested in Capital Assets	339,798
Restricted for Specific Purposes	25,714
Unrestricted	433,336
Total Net Assets	798,848
Total Liabilities and Net Assets	\$ 798,848

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township has \$433,336 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$165,136 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Wise Township
Change in Net Assets
For Fiscal Year Ended March 31, 2008

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 5,223
Operating Grants and Contributions	104,397
Capital Grants and Contributions	108,556
General Revenues	
Taxes	87,679
State Grants	93,657
Interest Earnings	14,510
Other	<u>1,631</u>
Total Revenues	<u>415,653</u>
<u>Expenses</u>	
Legislative	22,969
General Government	75,269
Public Safety	33,957
Public Works	105,589
Community and Economic Development	4,306
Other Functions	<u>8,427</u>
Total Expenses	<u>250,517</u>
Change in Net Assets	165,136
<u>NET ASSETS</u> - Beginning of Year	<u>633,712</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 798,848</u></u>

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Governmental Activities

During the fiscal year ended March 31, 2008, the Township's net assets increased by \$165,136 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

One of the most significant portions of the revenue for governmental activities of Wise Township comes from property taxes. The Township levied 0.962 mills for operating purposes, and 1.924 mills for street improvement.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by Public Works expenses that total \$105,589. General Government represented the next largest expense at \$75,269 of total expenses. Depreciation expense added another \$12,919.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Wise Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Wise Township's governmental funds reported combined ending fund balances of \$459,050. Of this total amount \$433,336 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for street improvement must be used for expenditures that relate to street improvement.

General Fund – The General Fund increased its fund balance by \$35,024 which brings the fund balance to \$433,853. The General Fund's fund balance unreserved portion is \$433,336. Property taxes amounted to \$29,224. State grants were collected in the amount of \$96,821.

Street Fund – The Street Fund decreased its fund balance by \$154,028 which brings the fund balance to \$1,621. This balance is reserved and must be used for street improvement. The Township levied a street millage on the 2007 tax roll. This resulted in \$58,455 in tax related revenues during the current fiscal year.

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Garbage and Rubbish Collection Fund – The Garbage and Rubbish Collection Fund increased its fund balance by \$4,824 which brings its fund balance to \$23,576. This balance is reserved for garbage and rubbish collection.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2008 amounted to \$339,798 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Wise Township
Capital Assets as of March 31, 2008

	<u>Governmental Activities</u>
Land and Land Improvements	\$ 21,589
Buildings	3,000
Building Improvements	47,156
Equipment	27,161
Public Domain Infrastructure	<u>292,235</u>
	391,141
Less Accumulated Depreciation	<u>51,343</u>
Net Capital Assets	<u><u>\$ 339,798</u></u>

Major capital asset events during the current fiscal year included the following:

Coleman Road Project which cost approximately \$292,235.

Long-Term Debt. Wise Township has no obligation for any long-term debt as of March 31, 2008.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues. The Township's millage rate was reduced again by the Headlee Amendment rollback.

A street millage was once again levied for the 2008 tax roll.

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

These factors were considered in preparing the Township's budgets for the 2008-09 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Wise Township at 10509 N. Loomis Road, Clare, MI 48617.

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 437,657
Due from Other Governments	21,393
Total Current Assets	<u>459,050</u>
<u>CAPITAL ASSETS</u>	
Land	5,500
Land Improvements	16,089
Buildings	3,000
Building Improvements	47,156
Equipment	27,161
Public Domain Infrastructure	292,235
	<u>391,141</u>
Less: Accumulated Depreciation	51,343
Net Capital Assets	<u>339,798</u>
TOTAL ASSETS	<u><u>\$ 798,848</u></u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	<u>\$ 0</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	339,798
Restricted for:	
Street Improvement	1,621
Garbage and Rubbish Collection	23,576
Telecommunications Right of Way	517
Unrestricted	<u>433,336</u>
TOTAL NET ASSETS	<u><u>\$ 798,848</u></u>

The accompanying notes are an integral part of the financial statements.

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGE IN NET ASSETS TOTAL GOVERNMENTAL ACTIVITIES
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 22,969	\$ 0	\$ 0	\$ 0	\$ (22,969)
General Government	75,269	5,223	30,913	0	(39,133)
Public Safety	33,957	0	0	0	(33,957)
Public Works	105,589	0	73,484	108,556	76,451
Community and Economic Development	4,306	0	0	0	(4,306)
Other Functions	8,427	0	0	0	(8,427)
Total Governmental Activities	<u>\$ 250,517</u>	<u>\$ 5,223</u>	<u>\$ 104,397</u>	<u>\$ 108,556</u>	<u>(32,341)</u>
<u>GENERAL REVENUES</u>					
Taxes					87,679
State Grants					93,657
Interest Earnings					14,510
Other					1,631
Total General Revenues					<u>197,477</u>
Change in Net Assets					165,136
<u>NET ASSETS</u> - Beginning of Year					<u>633,712</u>
<u>NET ASSETS</u> - End of Year					<u>\$ 798,848</u>

The accompanying notes are an integral part of the financial statements.

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2008

	GENERAL FUND	STREET FUND	GARBAGE AND RUBBISH COLLECTION FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 412,460	\$ 1,621	\$ 23,576	\$ 437,657
Due from Other Governments	21,393	0	0	21,393
TOTAL ASSETS	\$ 433,853	\$ 1,621	\$ 23,576	\$ 459,050
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u>				
Reserved for:				
Street Improvement	0	1,621	0	1,621
Garbage and Rubbish Collection	0	0	23,576	23,576
Telecommunications Right of Way	517	0	0	517
Unreserved				0
Undesignated	433,336	0	0	433,336
Total Fund Balance	433,853	1,621	23,576	459,050
 TOTAL LIABILITIES AND FUND BALANCE	\$ 433,853	\$ 1,621	\$ 23,576	\$ 459,050

The accompanying notes are an integral part of the financial statements.

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2008

Total Fund Balances for Governmental Funds	\$	459,050
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$	5,500	
Land Improvements		16,089	
Buildings		3,000	
Building Improvements		47,156	
Equipment		27,161	
Public Domain Infrastructure		292,235	
Accumulated Depreciation		<u>(51,343)</u>	<u>339,798</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>798,848</u></u>
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The accompanying notes are an integral part of the financial statements.

WISE TOWNSHIP, ISABELLA COUNTY

CLARE, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2008

	GENERAL FUND	STREET FUND	GARBAGE AND RUBBISH COLLECTION FUND	TOTALS
<u>REVENUES</u>				
Taxes	\$ 29,224	\$ 58,455	\$ 0	\$ 87,679
Licenses and Permits	335	0	0	335
State Grants	96,821	0	0	96,821
Charges for Services	4,013	0	0	4,013
Interest and Rents	15,385	0	0	15,385
Other Revenues	32,544	108,556	70,320	211,420
Total Revenues	178,322	167,011	70,320	415,653
<u>EXPENDITURES</u>				
Legislative	22,969	0	0	22,969
General Government	69,902	0	0	69,902
Public Safety	33,711	0	0	33,711
Public Works	2,383	322,639	65,496	390,518
Community and Economic Development	4,306	0	0	4,306
Other Functions	8,427	0	0	8,427
Total Expenditures	141,698	322,639	65,496	529,833
Excess (Deficiency) of Revenues Over Expenditures	36,624	(155,628)	4,824	(114,180)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	0	1,600	0	1,600
Transfers Out	(1,600)	0	0	(1,600)
Total Other Financing Sources (Uses)	(1,600)	1,600	0	0
Net Change in Fund Balance	35,024	(154,028)	4,824	(114,180)
<u>FUND BALANCE</u> - Beginning of Year	398,829	155,649	18,752	573,230
<u>FUND BALANCE</u> - End of Year	\$ 433,853	\$ 1,621	\$ 23,576	\$ 459,050

The accompanying notes are an integral part of the financial statements.

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2008

Net Change in Fund Balance - Total Governmental Funds	\$ (114,180)
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(12,919)
Capital Outlay	<u>292,235</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 165,136</u></u>

The accompanying notes are an integral part of the financial statements.

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES
MARCH 31, 2008

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ <u> 0</u>
<u>LIABILITIES</u>	
Due to Other Funds	\$ <u> 0</u>

The accompanying notes are an integral part of the financial statements.

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Wise Township is a general law township located in Isabella County which operates under the direction of an elected township board. Under the criteria established by accounting generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Wise Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Street Fund* accounts for revenue sources that are legally restricted to expenditures for street improvements.

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

The *Garbage and Rubbish Collection Fund* is a special assessment and accounts for revenue sources that are legally restricted to expenditures for garbage and rubbish collection.

Additionally, Wise Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The Investment Policy adopted by the Township states that the Township Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution. Authorized depositories shall be designated by the Rose Lake Township Board of at the Board's organizational meeting after each regular election of board members.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

- d. Repurchase agreements consisting of instruments listed in (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than 1 standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Township. This authorization is limited to securities whose intention is to maintain a new asset value of \$1.00 per share.
- h. Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 15. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2007 taxable valuation of Wise Township totaled \$30,464,432, on which ad valorem taxes levied consisted of 0.9620 mills for Wise Township operating purposes and 1.9241 mills for street improvement. The levy raised approximately \$29,224 for operating purposes and \$58,455 for street improvement.

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Land Improvements	20
Buildings	30-50
Building Improvements	10-30
Equipment	5-10
Public Domain Infrastructure	20

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 15, 2007, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
Special Revenue Funds		
Street Fund		
Public Works		
Highways, Streets, Bridges	\$ 150,250	\$ 322,639
Garbage and Rubbish Collection Fund		
Public Works		
Sanitation	65,000	65,496

These overages were funded by greater than anticipated revenues and available fund balance.

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are all on deposit with Chemical Bank in Coleman, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2008, \$100,042 of the government's bank balance of \$400,356 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	<u>General</u>
Receivables	
Due from Other Governments	<u>\$ 21,393</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

C. Capital Assets

Primary Government

	Beginning Balance	Increase	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 5,500	\$ 0	\$ 0	\$ 5,500
Capital assets, being depreciated				
Land Improvements	16,089	0	0	16,089
Buildings	3,000	0	0	3,000
Building Improvements	47,156	0	0	47,156
Equipment	27,161	0	0	27,161
Public Domain Infrastructure	0	292,235	0	292,235
Total capital assets, being depreciated	93,406	292,235	0	385,641
Less accumulated depreciation for:				
Land Improvements	6,794	804	0	7,598
Buildings	3,000	0	0	3,000
Building Improvements	19,152	2,093	0	21,245
Equipment	9,478	2,716	0	12,194
Public Domain Infrastructure	0	7,306	0	7,306
Total accumulated depreciation	38,424	12,919	0	51,343
Total capital assets, being depreciated, net	54,982	279,316	0	334,298
Governmental activities capital assets, net	<u>\$ 60,482</u>	<u>\$ 279,316</u>	<u>\$ 0</u>	<u>\$ 339,798</u>

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 5,367
Public Safety	246
Public Works	<u>7,306</u>
	<u>\$ 12,919</u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2008.

D. Interfund Receivables, Payables and Transfers

There were no individual fund interfund receivable and payable balances at March 31, 2008.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

Interfund Transfers as of March 31, 2008 were:

	<u>TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
<u>Primary Government</u>		
General Fund	\$ 0	\$ 1,600
Street Fund	<u>1,600</u>	<u>0</u>
	<u>\$ 1,600</u>	<u>\$ 1,600</u>

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Long-Term Debt

At March 31, 2008, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

FUND BALANCE/NET ASSETS

Reserved	
General Fund	
Telecommunications Right of Way	\$ 517
Special Revenue Funds	
Street Fund	
Street Improvement	1,621
Garbage and Rubbish Collection Fund	
Garbage and Rubbish Collection	<u>23,576</u>
Total Fund Balance/Net Assets	<u><u>\$ 25,714</u></u>

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Sale of Future Revenues

For several years, the Township has sold its rights to delinquent real property tax revenues and related late payment penalties to Isabella County. For the 2007 tax roll the Township received a lump sum payment of \$23,820, which included \$3,980 for general operating tax revenues, \$7,960 for street improvement tax revenues, and \$11,880 for garbage and rubbish special assessment revenues. These amounts represent 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the county is allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the county is ultimately unable to collect any of these delinquent taxes, the Township will have to repay the county.

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2008

	GENERAL FUND			STREET FUND			GARBAGE AND RUBBISH COLLECTION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>									
Taxes	\$ 29,000	\$ 29,000	29,224	\$ 54,000	\$ 54,000	\$ 58,455	\$ 0	\$ 0	\$ 0
Licenses and Permits	520	520	335	0	0	0	0	0	0
State Grants	98,000	98,000	96,821	0	0	0	0	0	0
Charges for Services	3,900	3,900	4,013	0	0	0	0	0	0
Interest and Rents	4,500	4,500	15,385	0	0	0	0	0	0
Other Revenues	700	700	32,544	120,000	120,000	108,556	67,080	67,080	70,320
Total Revenues	136,620	136,620	178,322	174,000	174,000	167,011	67,080	67,080	70,320
<u>EXPENDITURES</u>									
Legislative	123,300	123,300	22,969	0	0	0	0	0	0
General Government									
Supervisor	15,700	15,700	14,076	0	0	0	0	0	0
Elections	3,300	3,300	956	0	0	0	0	0	0
Assessor	8,820	8,820	8,820	0	0	0	0	0	0
Clerk	15,000	15,000	13,138	0	0	0	0	0	0
Board of Review	3,900	3,900	3,846	0	0	0	0	0	0
Treasurer	16,000	16,000	15,326	0	0	0	0	0	0
Building and Grounds	12,500	12,500	9,013	0	0	0	0	0	0
Cemetery	9,226	9,226	4,727	0	0	0	0	0	0
Public Safety									
Fire	62,100	62,100	33,711	0	0	0	0	0	0
Public Works									
Highways, Streets, Bridges	0	0	0	150,250	150,250	322,639	0	0	0
Drains	2,000	2,000	1,583	0	0	0	0	0	0
Sanitation	13,000	13,000	800	0	0	0	65,000	65,000	65,496

	GENERAL FUND			STREET FUND			GARBAGE AND RUBBISH COLLECTION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Community and Economic Development Planning	13,000	13,000	4,306	0	0	0	0	0	0
Other Functions									
Insurance and Bonds	5,000	5,000	4,142	0	0	0	0	0	0
Employee Benefits	6,000	6,000	4,285	0	0	0	0	0	0
Contingency	75,000	75,000	0	0	0	0	0	0	0
Total Expenditures	383,846	383,846	141,698	150,250	150,250	322,639	65,000	65,000	65,496
Excess (Deficiency) of Revenues Over Expenditures	(247,226)	(247,226)	36,624	23,750	23,750	(155,628)	2,080	2,080	4,824
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfer In	0	0	0	0	0	1,600	0	0	0
Transfer Out	0	0	(1,600)	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	(1,600)	0	0	1,600	0	0	0
Net Change in Fund Balance	(247,226)	(247,226)	35,024	23,750	23,750	(154,028)	2,080	2,080	4,824
<u>FUND BALANCE</u> - Beginning of Year	173,596	173,596	398,829	41,000	41,000	155,649	6,800	6,800	18,752
<u>FUND BALANCE</u> - End of Year (Deficit)	\$ (73,630)	\$ (73,630)	\$ 433,853	\$ 64,750	\$ 64,750	\$ 1,621	\$ 8,880	\$ 8,880	\$ 23,576

WISE TOWNSHIP, ISABELLA COUNTY
CLARE, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2008

	BALANCE			BALANCE
	4/1/2007	ADDITIONS	DEDUCTIONS	3/31/2008
<u>ASSETS</u>				
Cash	\$ 0	\$ 920,744	\$ 920,744	\$ 0
<u>LIABILITIES</u>				
Due to Other Funds	\$ 0	\$ 156,097	\$ 156,097	\$ 0
Due to Other Organizations and Individuals	0	2,234	2,234	0
Due to Other Governments	0	762,413	762,413	0
Total Liabilities	\$ 0	\$ 920,744	\$ 920,744	\$ 0

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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June 13, 2008

To the Township Board
Wise Township
Isabella County
Clare, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wise Township, Isabella County, Clare, Michigan as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Wise Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described above are material weaknesses.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
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June 13, 2008

To the Township Board
Wise Township
Isabella County
Clare, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wise Township for the year ended March 31, 2008, and have issued our report thereon dated June 13, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 30, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Wise Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Wise Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted. We did propose several adjusting journal entries that were accepted and recorded by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 13, 2008.

Other Audit Findings or Issues

During the course of our audit of the basic financial statements of Wise Township for the year ended March 31, 2008, we noted the following list of items which we feel deserve comment:

Budgeting

Total expenditures in the Street Fund and Garbage and Rubbish Collection Fund exceeded the total budgeted expenditures. The budget should always be amended prior to incurring the expenditures in excess of budgeted amounts. All amendments should be approved by the Township Board and be recorded in the minutes.

Public Act 621 states that the budget document that the Township adopt include the following financial information:

- The actual results from the prior year
- An estimate of the current year results
- The proposed budget for the upcoming year
- Amounts for contingencies, if appropriate
- The amount of fund balance accumulated through the end of the current year, and the amount expected at the end of the upcoming year after applying the budgeted receipts and disbursements.

The Township's budget document does not contain all of the required information.

Telecommunications Right of Way

The state restricts the use of these monies to specific items, such as road construction and street lighting. As a result, \$517 of the General Fund balance is reserved.

Reconciliation of Clerk and Treasurer Records

The Michigan Department of Treasury Uniform Accounting Procedures Manual requires the Clerk to reconcile the Clerk's records to the Treasurer's records on a monthly basis. It does not appear that the Township is currently following this procedure.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.